

Globe and mail
mar 25, 1999

Assess threat from cyber-rivals

You often hear about how the Internet and electronic commerce are providing small business with all kinds of new opportunities. But companies that go on-line can also be blind-sided by many new rivals. That's why entrepreneurs need to understand how the Internet is affecting competition in their industry. This is happening on several fronts.

First, your new rival may be an "industry supermarket." Insurance brokers, for example, currently compete with local agents and insurers that sell policies over the phone. The next market threat may



E-BIZ

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come via a Web site such as Insure-Market (www.insuremarket.com) or InsWeb (www.insweb.com), both of which offer a wide range of products from many companies.

New rivals will emerge from unlikely sources. For instance, auto makers may soon begin selling cars on-line. When they do, insurance agents may find — much to their chagrin — that the manufacturers have added links to their Web sites allowing customers to acquire insurance for the vehicle.

As E-commerce evolves, the starting point for a transaction is changing. When Internet users think about insurance, they may no longer begin by looking locally for an agent — they may head directly to cyberspace for the transaction. Lose the starting point, and you lose the customer.

Second, a threat emerges when you find yourself competing with the supplier of your products. This is happening in the travel industry, where some Internet users bypass agents and book directly through on-line reservation sites.

Third, geography becomes irrelevant as more products and services are available on-line. Products ordered from a company hundreds of kilometres away often can be delivered the next day.

Professional services also benefit from the blurring of geographical lines. If you need a document translated, for example, you can search the Internet and choose any service provider in the world, based on service and price.

The overall competitive impact of the Internet will be seen in price. As the number of companies increase in a certain sector, price will become a key differentiating point.

In order to survive in the world of E-commerce, you've got to determine the competitive threat in your industry, and then figure out how to address it.

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